



La-Z-Boy Reports First-Quarter Profit

08/18/09

MONROE, Mich., Aug 18, 2009 /PRNewswire-FirstCall via COMTEX/ -- La-Z-Boy Incorporated (NYSE: LZB) today reported its operating results for the fiscal first quarter ended July 25, 2009.

Fiscal 2010 first-quarter highlights:

- Net income was \$0.04 per share versus a loss of \$0.17 per share in last year's first quarter, despite a sales decline of 18.3%, reflecting the difficult macroeconomic environment;
- The company generated \$13.8 million in cash from operating activities and reduced debt by \$11.7 million;
- Net debt at quarter end was \$10.8 million;

- The retail segment's performance continued to improve, with the operating loss reduced by 43%, or \$4.3 million, on a 15% sales decline compared with the prior-year period.

Net sales for the first quarter were \$262.7 million, down 18.3% compared with the prior year's first quarter. The company reported net income attributable to La-Z-Boy Incorporated of \$2.0 million, or \$0.04 per share, compared with a loss of \$8.5 million, or a loss of \$0.17 per share in the fiscal 2009 first quarter. The 2010 first-quarter results include a \$0.01 per share restructuring charge, primarily related to the consolidation of the company's casegoods facilities and the previously announced store closures within the company's retail segment. La-Z-Boy Incorporated's fiscal 2009 first-quarter results included a \$0.09 restructuring charge, primarily related to the closure of the company's Tremonton, Utah and United Kingdom operations, and a \$0.03 per share intangible write-down related to the goodwill associated with the company's U.K. operation.

Kurt L. Darrow, President and Chief Executive Officer of La-Z-Boy, said, "In what is historically a weaker-demand quarter given seasonality issues, our results for the period demonstrate the effectiveness of the many structural changes we have made to our business combined with the major strategic initiatives implemented over the past several years. These moves are continuing to bear fruit and enabled us to earn a profit on a \$59 million quarter-over-quarter sales decline. While the macroeconomic environment remains challenging, our team is focused on driving sales, improving service levels to our customers and ensuring our operating footprint remains lean and efficient. Additionally, our retail segment continues to gain traction and make significant progress. For the third consecutive quarter, we decreased our operating losses despite year-over-year sales declines."

Darrow continued, "In this environment, we are cognizant of the importance of a strong balance sheet and increasing our liquidity. During the quarter, we generated \$13.8 million in cash from operating activities and decreased our debt by \$11.7 million. At quarter end, our net debt was \$10.8 million and we increased the availability on our revolving line of credit to \$70.5 million. While the operating environment remains a challenge, we are confident La-Z-Boy Incorporated's strong balance sheet and business model are positioning us for the long term with a competitive footprint in the marketplace."

Wholesale Segments

For the fiscal 2010 first quarter, sales in the company's upholstery segment decreased 17% to \$196.7 million compared with \$237.1 million in the prior year's first quarter. On the \$40.4 million decline in sales, the segment's operating margin increased to 8.3% from 4.2% in the prior year's quarter. In the casegoods segment, sales for the fiscal first quarter were \$35.9 million, down 25.5% from \$48.1 million in the fiscal 2009 first quarter. The segment virtually broke even on an operating basis versus a 2.9% operating margin in last year's first quarter.

Darrow commented, "Our operating margin performance in our upholstery segment was solid for the first quarter, demonstrating the magnitude of changes made to our business model both in terms of its cost structure and operating platform. The combination of cost reductions across all our upholstery companies and the efficiency of the cellular production process at our La-Z-Boy branded facilities is clearly evident in our improved 8.3% operating margin, which almost doubled quarter over quarter. We were able to achieve these results during what is historically our slowest quarter due to seasonality factors, including a one-week plant shutdown for maintenance and vacation. Going forward, we expect to further improve the efficiency of our upholstery segment as our Mexican-based cut-and-sew facility continues to expand its production capacity. Today, we have more than 600 people working in Mexico and, as reported previously, we expect to see cost savings early in calendar 2010, with the full benefit, estimated to be \$20 million, realized in fiscal 2011."

Darrow continued, "In our casegoods business, we ceased production at our North Wilkesboro, NC plant during the quarter and began the transfer of production to our Hudson, NC facility. This consolidation will be completed during the second quarter and we believe it will have minimal impact on service levels to our customers. Our North Wilkesboro facility will be converted to a finished-goods warehouse as we vacate a leased warehouse operation in Statesville, NC. The above changes will result in annual cost savings of approximately \$5 to \$6 million, based on current volume, when completed in the spring of 2010. The segment's operating margin was negatively impacted during the quarter by higher-than-usual sales discounts resulting from the ongoing reduction of inventories of discontinued collections. During the period, we reduced our casegoods inventory by 8%, with the majority of it finished goods. In general, we continue to see the higher ticket categories, including bedroom and dining room, the most challenging at retail, with youth furniture and occasional items performing slightly better."

System-wide, for the first quarter of fiscal 2010, including company-owned and independent-licensed stores, same-store written sales, which the company tracks as an indicator of retail activity, were down 2.3%. Total written sales, which include new and closed stores, were down 8.4%.

Retail

For the quarter, retail sales were \$36.0 million, down 15.2% compared with the prior-year period. The retail group posted an operating loss of \$5.7 million for the quarter, and its operating margin was (15.8%). Darrow stated, "Despite a significant decline in sales quarter over quarter, our team decreased our operating loss by \$4.3 million, a testament to the effectiveness of the numerous changes implemented across the business. Importantly, in this environment, we have a strong marketing presence, which is helping to drive traffic into the stores. Additionally, we have placed significant emphasis on the improvement and effectiveness of our sales team and are converting more customers into buyers while increasing the average ticket. Going forward, our team will continue to execute against the various business model changes while focusing on increased sales and customer service."

Balance Sheet

La-Z-Boy's debt-to-capitalization ratio was 13.5% compared with 18.4% a year ago and 16.4% at the end of fiscal 2009. Darrow stated, "Our management team has continued to maintain an intense focus on strengthening our balance sheet to allow us to navigate our way through what continues to be a challenging macroeconomic environment. During the quarter, we generated cash, decreased our debt and increased our availability under our revolving line of credit by \$5.5 million to \$70.5 million."

Business Outlook

Darrow stated, "Although our year-over-year sales decline was lower than in the past two quarters, we believe the operating environment will remain challenging for the remainder of the year. Against that backdrop, we will continue to manage our business aggressively and make any necessary adjustments that volume trends may dictate while having a disciplined focus on running our operations as efficiently as possible."

Conference Call

La-Z-Boy will hold a conference call with the investment community on Wednesday, August 19, 2009, at 8:30 a.m. eastern time. The toll-free dial-in number is 877.407.0778; international callers may use 201.689.8565.

Forward-looking Information

Any forward-looking statements contained in this news release are based on current information and assumptions and represent management's best judgment at the present time. Actual results could differ materially from those anticipated or projected due to a number of factors. These factors include, but are not limited to: (a) changes in consumer confidence and demographics; (b) continued economic recession and fluctuations in our stock price; (c) changes in the real estate and credit markets and the potential impacts on our customers and suppliers; (d) the impact of terrorism or war; (e) continued energy and other commodity price changes; (f) the impact of logistics on imports; (g) the impact of interest rate and currency exchange rate changes; (h) supply, labor or distribution disruptions; (i) effects of restructuring actions; (j) changes in the domestic or international regulatory environment; (k) the impact of adopting new accounting principles; (l) the impact from natural events such as hurricanes, earthquakes and tornadoes; (m) the ability to procure fabric rolls and leather hides or cut and sewn fabric and leather sets domestically or abroad; (n) unanticipated labor/industrial actions; (o) those matters discussed in Item 1A of our fiscal 2009 Annual Report and factors relating to acquisitions and other factors identified from time-to-time in our reports filed with the Securities and Exchange Commission. We undertake no obligation to update or revise any forward-looking statements, either to reflect new developments or for any other reason.

Additional Information

This news release is just one part of La-Z-Boy's financial disclosures and should be read in conjunction with other information filed with the Securities and Exchange Commission, which is available at http://www.la-z-boy.com/about/InvestorRelations/sec_filings.aspx. Investors and others wishing to be notified of future La-Z-Boy news releases, SEC filings and quarterly investor conference calls may sign up at:

http://www.la-z-boy.com/about/investorRelations/IR_email_alerts.aspx.

Background Information

La-Z-Boy Incorporated is one of the world's leading residential furniture producers, marketing furniture for every room of the home. The La-Z-Boy Upholstery Group companies are Bauhaus, England and La-Z-Boy. The La-Z-Boy Casegoods Group companies are American Drew/Lea, Hammary and Kincaid.

The corporation's proprietary distribution network is dedicated exclusively to selling La-Z-Boy Incorporated products and brands, and includes 317 stand-alone La-Z-Boy Furniture Galleries(R) stores and 475 ComfortStudios(R), in addition to in-store gallery programs at the company's Kincaid, England and Lea operating units. According to industry trade publication In Furniture, the La-Z-Boy Furniture Galleries retail network is North America's largest single-brand furniture retailer. Additional information is available at <http://www.la-z-boy.com/>.

LA-Z-BOY INCORPORATED CONSOLIDATED STATEMENT OF OPERATIONS

	First Quarter Ended	
	7/25/09	7/26/08
(Unaudited, amounts in thousands, except per share data)		
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Sales	\$262,671	\$321,652
Cost of sales		
Cost of goods sold	181,549	235,596

Restructuring	736	5,795
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Total cost of sales	182,285	241,391
Gross profit	80,386	80,261
Selling, general and administrative	77,456	91,270
Write-down of intangibles	-	1,292
Restructuring	301	781
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Operating income (loss)	2,629	(13,082)
Interest expense	980	1,495
Interest income	276	932
Other income, net	711	143
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Earnings (loss) before income taxes	2,636	(13,502)
Income tax expense (benefit)	439	(5,044)
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Net income (loss)	2,197	(8,458)
Less net income attributable to noncontrolling interests	214	86
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Net income (loss) attributable to La-Z-Boy Incorporated	\$1,983	\$(8,544)
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Basic average shares	51,479	51,428
Basic net income (loss) attributable to La-Z-Boy Incorporated per share	\$0.04	\$(0.17)
Diluted average shares	51,479	51,428
Diluted net income (loss) attributable to La-Z-Boy Incorporated per share	\$0.04	\$(0.17)
Dividends paid per share	\$-	\$0.04

During the first quarter of fiscal 2010, we implemented SFAS No. 160, the new accounting standard which changes how companies account for noncontrolling interests. Refer to our Form 10-Q for the quarter ended July 25, 2009 for additional information.

LA-Z-BOY INCORPORATED
CONSOLIDATED BALANCE SHEET

(Unaudited, amounts in thousands)	7/25/09	4/25/09
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Current assets		
Cash and equivalents	\$38,333	\$17,364
Restricted cash	500	18,713
Receivables, net of allowance of \$24,408 at 7/25/09 and \$28,385 at 4/25/09	137,552	147,858
Inventories, net	142,276	140,178
Deferred income taxes-current	795	795
Other current assets	28,074	22,872
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Total current assets	347,530	347,780
Property, plant and equipment, net	146,593	150,234
Trade names	3,100	3,100
Other long-term assets, net of allowance of \$1,492 at 7/25/09 and \$4,309 at 4/25/09	48,359	51,431
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Total assets	\$545,582	\$552,545
	=====	=====

Current liabilities

Current portion of long-term debt	\$2,121	\$8,724
Accounts payable	39,245	41,571
Accrued expenses and other current liabilities	77,037	75,733
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Total current liabilities	118,403	126,028
Long-term debt	47,052	52,148
Deferred income taxes	732	724
Other long-term liabilities	65,657	63,875
Contingencies and commitments	-	-
Equity		
La-Z-Boy Incorporated shareholders' equity:		
Common shares, \$1 par value	51,480	51,478
Capital in excess of par value	198,361	205,945
Retained earnings	81,352	70,769
Accumulated other comprehensive loss	(22,059)	(22,698)
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Total La-Z-Boy Incorporated shareholders' equity	309,134	305,494
Noncontrolling interests	4,604	4,276
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Total equity	313,738	309,770
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Total liabilities and equity	\$545,582	\$552,545
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LA-Z-BOY INCORPORATED
CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited, amounts in thousands)	First Quarter Ended 7/25/09	7/26/08
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Cash flows from operating activities		
Net income (loss)	\$2,197	\$(8,458)
Adjustments to reconcile net income (loss) to cash provided by operating activities		
Gain on sale of assets	(13)	(2,066)
Write-down of intangibles	-	1,292
Restructuring	1,037	6,576
Provision for doubtful accounts	2,362	4,203
Depreciation and amortization	6,109	5,954
Stock-based compensation expense	1,007	869
Change in receivables	8,898	14,170
Change in inventories	(2,098)	10,906
Change in payables	(2,326)	(6,448)
Change in other assets and liabilities	(3,396)	(23,718)
Change in deferred taxes	8	1,161
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Total adjustments	11,588	12,899
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Net cash provided by operating activities	13,785	4,441
Cash flows from investing activities		
Proceeds from disposals of assets	1,686	4,981
Capital expenditures	(1,439)	(7,372)
Purchases of investments	(1,199)	(5,449)
Proceeds from sales of investments	2,664	5,794
Change in restricted cash	17,007	(288)
Change in other long-term assets	(15)	71
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Net cash provided by (used for) investing activities	18,704	(2,263)

Cash flows from financing activities		
Proceeds from debt	10,460	14,635
Payments on debt	(22,159)	(18,857)
Dividends paid	-	(2,077)
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Net cash used for financing activities	(11,699)	(6,299)
Effect of exchange rate changes on cash and equivalents	179	(39)
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Change in cash and equivalents	20,969	(4,160)
Cash and equivalents at beginning of period	17,364	14,477
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Cash and equivalents at end of period	\$38,333	\$10,317
	=====	=====
Cash paid (net of refunds) during period - income taxes	\$266	\$923
Cash paid during period - interest	\$725	\$1,126

LA-Z-BOY INCORPORATED
SEGMENT INFORMATION

(Unaudited, amounts in thousands)	First Quarter Ended	
	7/25/09	7/26/08
	-----	-----
Sales		
Upholstery Group	\$196,692	\$237,118
Casegoods Group	35,865	48,121
Retail Group	35,961	42,427
VIEs/Eliminations	(5,847)	(6,014)
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Consolidated	\$262,671	\$321,652
	=====	=====
Operating income (loss)		
Upholstery Group	\$16,290	\$9,857
Casegoods Group	(121)	1,377
Retail Group	(5,668)	(10,010)
Corporate and Other*	(6,835)	(6,438)
Restructuring	(1,037)	(6,576)
Intangible Write-down	-	(1,292)
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	\$2,629	\$(13,082)
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*Variable Interest Entities ("VIEs") are included in corporate and other.

SOURCE La-Z-Boy Incorporated

<http://www.la-z-boy.com>